

Startup fund puts focus on resources

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A small group of financial services industry executives are constructing a new fund-management firm with the intention of it becoming a player in the highly competitive Canadian market and, ultimately, on the global stage by focusing on Canada's strengths.

Calgary-based **Canoe Financial LP** has been busy assembling its management team and hiring a high-profile portfolio manager. That portfolio manager, Robert Haber, is familiar to the advisor community because of his 25-year career with Boston-based Fidelity Investments, for which he was chief investment officer on the Canadian investment team for 12 years until 2009. Haber, who now runs Boston-based **Trilix Advisors LP**, has an exclusive subadvisory relationship with Canoe.

"For a startup firm, it's helpful to have a veteran investment professional who has held a leading executive role with one of the country's top independently-owned fund companies," says Rudy Luukko, investment funds and personal finance editor with **Morningstar Canada** in Toronto. "There is name recognition value."

Canoe's president and CEO is Nevin Markwart, a former hockey player with the Boston Bruins and Calgary Flames. After nine years in the NHL, Markwart made the transition to the investment-management business in 1992, working at a couple of Boston-based firms before being hired to head Canadian equities for Fidelity in Boston in 2005.

"People are always looking for a new story, and we're emphasizing the people side of the business," says Markwart, who is based in Calgary but has recently been spending time opening a new branch office in Toronto and scouting for a location in Montreal. "The financial services industry is a relationship business, and we're looking to attract and retain top portfolio managers and top wholesalers."

Shortly after Markwart made the leap to Canoe last May, Canoe hired its new chairman, Brett Wilson, a high-profile panellist on the popular CBC business reality show *Dragons' Den*. Wilson retired in 2007 from FirstEnergy Capital Corp., the Calgary energy investment banking powerhouse that he co-founded 17 years ago,

Canoe is seeking two or three more portfolio managers of stature similar to Haber's, Markwart says, noting that these managers could be brought on board through the acquisition of their firms, direct hiring or a partnership.

Canoe had its beginnings as EnerVest Funds Management Inc., headed by financier and energy sector entrepreneur Bruce Chernoff of Calgary, who took over the management contract for EnerVest's closed-ended funds in 2008. Under the new name of Canoe, the company is rebranding, expanding its product line and focusing on national distribution. Canoe is starting out with a base of \$1.6 billion in assets under management — primarily in the flagship EnerVest Diversified Income Trust, a closed-ended fund trading on the Toronto Stock Exchange that is now being managed by Haber.

In January, Canoe launched its first fund under its new corporate name, the closed-ended Canoe "GO CANADA" Income Fund, which raised \$58 million in its initial public offering. Plans are in the works to launch five open-ended mutual funds within the next month in the Canadian equity, asset allocation, monthly income, money market and Canadian energy categories. The plan is to expand Canoe's product line to 10 or 12 open-ended mutual funds as well as some hedge funds to target institutional and high net-worth investors. Canoe will also launch flow-through shares that convert to mutual funds when the tax benefits are used up.

“The goal,” says Markwart, “is to take what was essentially a single-product firm and transform it into a full-fledged investment fund company.”

Canoe is calling its investment approach “GO CANADA.” This parallels the philosophy espoused by Haber in a recently published book entitled *Go Canada: The Coming Boom in the Toronto Stock Market and How to Profit From It*. The essence of this philosophy is that the rapid industrialization of the world’s developing countries, such as China and India, and the resulting urbanization and increase in their standards of living are driving a 10- to 20-year supercycle in metals, oil and agriculture. As a supplier of these commodities, Canada stands to benefit — and the effects will be felt not only by commodities producers but by companies throughout the financial chain, including banks, insurance companies, real estate firms and retailers.

“When resources do well, they create a halo affect across [Canada],” Markwart says. “It’s a story that can easily be communicated by advisors to clients.”

Canoe’s goal is to communicate its long-term investment view, so that clients will hold on to reap future benefits even when markets are turbulent.

“It’s not a one- or two-year idea; it’s a one- or two-decade idea,” Markwart says of the resources boom. “We want to help investors maintain confidence so they don’t sell their shares to the Warren Buffett types who buy at the bottom of the market.”

Although there will be a global component in many of Canoe’s portfolios, it’s unlikely the product line will include funds with a foreign focus.

“Our philosophy is that Canada wins — that it’s not a small place in the world; it’s a big place,” Markwart says. “It’s not the only place, but we would prefer to invest outside Canada on a ‘sharpshooter’ basis, in which we carefully target individual companies rather than taking a broad approach to foreign holdings.”

A crucial link in getting investors to understand Canoe’s investment approach, Markwart says, is the hiring of wholesalers who can communicate information that is timely and relevant to advisors and their clients. The plan is to hire 16 retail wholesalers across Canada. To attract the crème de la crème, Canoe is offering wholesalers a piece of the action through ownership in Canoe.

Three experienced wholesalers have been carefully plucked from the industry so far, and Canoe is specifically looking for wholesalers who already have built strong relationships in the advisor network.

Eventually, the plan is to market Canoe’s “GO CANADA” story around the world and woo foreign investors. Markwart expects Canada’s investment appeal to increase among investors in Asia, Europe and the U.S. as emerging economies continue to increase their appetite for Canada’s raw materials.

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